standard to determine when a junior user in a reverse confusion case has acted in bad faith, the Third Circuit has subsequently explicitly rejected this interpretation of *Fisons*. In *A & H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 237 F.3d 198 (3d Cir. 2000), the Third Circuit expressly rejected the "carelessness" interpretation of *Fisons* that Star relies upon in its Petition (and which the Court of Appeals referenced in a footnote of its opinion), stating:

> Although we recognize that our opinion in *Fisons* perhaps implied that mere carelessness, as opposed to deliberate intent to confuse, would weigh in a plaintiff's favor in a reverse confusion case, we are reluctant to adopt such an interpretation, as it would be manifestly out of step with our prior holdings regarding the relevance of "intent" in trademark infringement claims.

Id. at 232-33.

In December of last year, the Third Circuit again rejected a litigant's attempt to invoke a "carelessness" standard to determine bad faith in a reverse confusion trademark case, expressly stating "we have not yet adopted that standard for such an analysis, and we are certainly not willing to adopt it on this record." *Freedom Card, Inc. v. JP Morgan Chase & Co.*, 432 F.3d 463, 480 (3d Cir. 2005). Thus, the Third Circuit, contrary to Star's assertions, has twice squarely rejected the "carelessness" approach which Star now urges this Court to adopt and on which it relies in support of its claim that there is a circuit split on the issue. This alone should suffice to warrant rejection of the petition.

The only other Circuit Court case Star cites in support of its proposition that a "carelessness" test for determining when a junior user has acted in bad faith has been accepted by some circuits is *Cohn v. Petsmart, Inc.*, 281 F.3d 837 (9th Cir. 2002). The *Cohn* court disposed of the question of bad faith quickly, finding that the question of the alleged infringer's intent was "relevant but essentially neutral" in the determination of likelihood of confusion in that case because "Cohn did not present evidence that Petsmart intended to copy Cohn's mark or that Petsmart should have known of Cohn's superior trademark rights." *Id.* at 843. Somehow, from this, Star draws the conclusion that the Ninth Circuit has adopted a "carelessness" approach to determining whether a junior user acted in bad faith in a reverse confusion case. Instead, the Ninth Circuit applies an actual or constructive knowledge standard to determine when a junior user acted in bad faith, one far different from the one Star is seeking to apply here.

Star also cites three District Court cases in support of its argument that a circuit split exists on the question of whether mere "carelessness" supports a finding of bad faith in a reverse confusion case. Two, *Rainforest Cafe, Inc. v. Amazon, Inc.*, 86 F. Supp. 2d 886 (D. Minn. 1999), and *Dream Team Collectibles, Inc. v. NBA Props., Inc.*, 958 F. Supp. 1401 (E.D. Mo. 1997), both apply the misunderstanding of the *Fisons* test that the Third Circuit subsequently corrected in *A & H Sportswear*, and were decided before the Third Circuit's clarification of *Fisons*. The final case, *Mars Musical Adventures, Inc. v. Mars, Inc.*, 159 F.Supp.2d 1146 (D. Minn. 2001), was decided after *A & H Sportswear* clarified the appropriate standard, but failed to cite to that controlling authority, and, instead mistakenly relied solely on *Rainforest Cafe*, *Dream Team Collectibles*, and *Fisons* in applying a

"carelessness" rationale. Thus, the brief flirtation with finding bad faith based on an alleged careless trademark search has been rejected in the Third Circuit and the Circuit split claimed by Star is illusory. Indeed, even though the *Mars* court applied the erroneous "carelessness" test, it found that there was no bad faith, because "Defendants submitted sufficient evidence to show that they conducted an adequate trademark search." *Id.* at 1152. As discussed below, the same is true here—there is more than adequate evidence that demonstrates that Bacardi conducted a comprehensive trademark search.

Star's remaining argument in support of its proposed "carelessness" test for bad faith in a reverse confusion case is that the Second Circuit has previously adopted such a standard and somehow ignored that standard in this case. As it did before both the District Court and the Court of Appeals, Star attempts to claim that this case is identical to *International Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc.*, 80 F.3d 749 (2d Cir. 1996), which it asserts adopted the "carelessness" standard for determining when "bad faith" exists in a reverse confusion trademark case. Indeed, Star claims that somehow the Second Circuit has overruled or ignored *Hilfiger* through its decision in this case. That is simply not the case.[3] *Hilfiger* did not involve a careless trademark search; instead, no full trademark search was conducted even though Hilfiger deliberately copied the words "STAR CLASS" and an emblem from authentic sailing gear.

---

3. Indeed, the panel was unquestionably well aware of the *Hilfiger* decision. Not only was the case extensively discussed by both Star and Defendants in their briefs, but Judge Newman, a member of the panel of the Court of Appeals that decided this case, also sat on the panel that decided *Hilfiger*. Star's claim that the panel ignored or was otherwise unaware of *Hilfiger* is simply ludicrous.

In *Hilfiger*, defendant sold sportswear with the words STAR CLASS and a star design on it and advertised its clothing as containing "authentic details taken from the sport of competitive sailing." *Id.* at 751. Prior to launching this clothing line, Hilfiger conducted only a preliminary trademark screening for federal trademarks for clothing, and ignored its counsel's advice that it should conduct a comprehensive trademark search through an outside vendor. It was this failure to follow counsel's advice and conduct a routine trademark search, coupled with the deliberate copying of the marks in question, that was crucial to a finding of bad faith in *Hilfiger*. Here, as discussed below, it is undisputed that Bacardi followed its counsel's advice and commissioned a full and complete search for "O" marks in the alcoholic beverage industry from Thomson and Thomson, the most respected trademark search vendor in the United States, prior to its adoption and use of the BACARDI O mark.

Thus, contrary to Star's assertion in its petition, the law of the Second Circuit cannot be described as "internally inconsistent" on the subject of bad faith in reverse confusion cases as a result of its decision in this case.[4] *Hilfiger* articulates the standard to be applied to determine bad faith in a damages context while other cases focus on whether bad faith existed in a liability context. There is no internal inconsistency to be corrected by this Court, and no Second

---

4. Nor is a purported "internal inconsistency" in Circuit precedent the type of matter that warrants review on a writ of certiorari. (Sup. Ct. R. 10). Indeed, such a purported "internal inconsistency" would ordinarily be resolved by a Petition for Rehearing. Star made such a petition based on this argument, which was denied without even a request for Bacardi and AB's views, indicating that the Second Circuit found Star's claim of "internal inconsistency" lacking in merit.

Circuit precedent for Star's proposition that purported "carelessness" in a trademark search is sufficient to demonstrate "bad faith" and liability for trademark infringement.

Finally, Star's proposed new standard is manifestly a poor policy choice. Under the current standard, in order to prove bad faith, the plaintiff must prove the junior user engaged in a deliberate attempt to create actual confusion in order to profit from the goodwill symbolized by the plaintiff's mark. Once these two elements are proved, the burden of persuasion shifts to the defendant to prove his nefarious scheme failed—that is, no likely confusion existed despite the defendant's best efforts to bring it about. Under the proposed "carelessness" standard, there is no reason to suppose that the defendant even knew about plaintiff's mark, let alone tried to tag along on any reputation that mark may have achieved. There is no basis to bootstrap likely confusion from mere "carelessness," as this state of mind is irrelevant to whether confusion exists. As generating confusion is the *sine qua non* of trademark infringement, this would make no sense.

II. IN ANY EVENT, THERE IS NO EVIDENCE TO SUPPORT STAR'S CLAIM OF "CARELESSNESS" GIVING RISE TO BAD FAITH

Even if Star's proposed "carelessness" standard for bad faith were appropriate, it could have no application on the record of this case. Star's "carelessness" claim is based on the unfounded contention that Bacardi failed to conduct an adequate trademark search prior to adopting its BACARDI O trademark (and subsequently, AB's adoption and use of the BACARDI SILVER O^3 trademark). Star never produced evidence to substantiate this claim and the District Court found Bacardi's conduct was appropriate.

The record established Bacardi commissioned a full trademark search from Thomson & Thomson of the mark "O" for alcoholic beverages (32a). Star, which claims ownership of an "O" mark, asserts that Bacardi should have conducted a trademark search for BACARDI O rather than for O. As the holder of the rights to the name and mark BACARDI for rum and related beverage products on a worldwide basis, Bacardi is well aware of the various uses of BACARDI marks on alcoholic beverages and had no need to conduct another search for that designation. Instead, Bacardi prudently chose to conduct a broader search, one for all uses of "O" for alcoholic beverages, which would include, but not be limited to, marks that would be similar to BACARDI O. Star's abandoned application was not cited in the search. The District Court opinion explains well how the results of the search reported to Bacardi were, of necessity, narrowed because so many "O" formative marks were found:

> [T]he outside search firm performed a search for just the "O" mark, which revealed more than 3,000 results. The actual results of the search that were shown to the defendant were narrowed and some marks contained a word followed by the letter "O" were excluded. The results of the search reported to Bacardi were specified and narrowed by the *outside* search company, and thus, the failure to uncover plaintiff's word mark application does not appear to arise from the *defendant's* bad faith effort to remain uninformed of the allegedly infringed mark.

(46a (citations omitted, emphasis in original)). There is no conceivable basis for imputing any "bad faith" to Bacardi, as Star's abandoned application was not disclosed. The claim that Bacardi somehow "willfully blinded" itself to the

existence of Star's mark by conducting a search for O alone rather than BACARDI O is simply ludicrous. By searching "O" instead of BACARDI O, Bacardi sought the widest possible search. In fact, Star's witnesses agreed at trial that Star had no objection to Bacardi's use of the mark BACARDI O, but merely to the style and typography of the "O" used as part of the label. Thus, Bacardi's search was calculated to uncover any registrations or applications in which an "O" design was claimed as a mark alone or with other elements.

Star's second claim is that upon learning of Star's abandoned application (by conducting the BACARDI O trademark search), Bacardi would have had an obligation to investigate further. Again, this claim is simply nonsensical. Had the search report turned up Star's application to register "GEORGI O," Bacardi would have seen nothing more than a trademark application that went abandoned four years previously without even an attempt by Star to respond to the USPTO's rejection of the application, and no subsequent filings for new marks or an "O" design apart from "GEORGI O."[5] There would have been no reason for Bacardi to pursue further investigation of Star based on the existence of this single abandoned application, because, as Star itself conceded, "BACARDI O" and "GEORGI O" are not confusingly similar.

Accordingly, even if "carelessness" were the appropriate standard to be applied in this case, there is no evidence that

5. Star applied for a number of marks related to its GEORGI orange flavored vodka product, including one for its "O" design standing alone, long after the start of this litigation (32a). However, no such applications had been filed at the time Bacardi conducted its trademark search, and could not have been uncovered. The sole information in existence at the time of the search was Star's abandoned trademark application and Star's minimal sales of its GEORGI orange-flavored vodka product.

Bacardi was in any way careless in conducting its trademark clearance. Bacardi conducted a search carefully calculated to uncover any problematic marks. Star's abandoned application was not reported by the search firm. After a full trial on the merits, the District Court found that Star failed to prove any likelihood of confusion between the marks at issue, which confirms that the search firm exercised appropriate judgment in its selection of citations.

III. STAR OFFERS NO LEGAL BASIS FOR ITS CLAIM THAT THE COURT FAILED TO APPLY THE APPROPRIATE STANDARD OF REVIEW

Star's final claim is that the Court of Appeals failed to apply the appropriate "standard of review" with respect to two of the factors it weighed in the likelihood of confusion analysis. Star does not claim (nor could it) that there is any particularly novel legal issue with respect to the standard of review in this case. Fundamentally, Star's claim is nothing more that a claim that the Court of Appeals misapplied a properly stated rule of law, which is not an appropriate basis on which to grant a Petition for Certiorari. Sup. Ct. R. 10. Star concedes that this identical issue was raised in its petition for rehearing, which the Court of Appeals rejected without even a request for Defendants' views. This alone should be dispositive of this argument.

Star asserts that the Court of Appeals erred by applying a "clear error" standard to the District Court's findings on two of the factors in its confusion analysis—similarity of the marks and actual confusion—rather than making *de novo* findings on these factors. Star concedes that ordinarily, these factors are questions of fact and thus subject to a review for clear error, but should, in this case, have been subjected to

de novo review because the "incorrect legal standard" was applied by the District Court in making its determinations.

With respect to the District Court's finding on similarity, Star claims the District Court applied an incorrect legal standard by looking at the labels for the parties' products as a whole, rather than separating out the parties' individual "O" designs. However, the test applied by the District Court —examining the marks as a whole—was unquestionably correct. Under the prevailing law of the Second Circuit, "[i]n assessing similarity, courts look to the overall impression created by the logo and the context in which they are found and consider the totality of factors that could cause confusion among prospective purchasers." *Gruner + Jahr USA Publ'g v. Meredith Corp.*, 991 F.2d 1072, 1078 (2d Cir. 1993). The District Court correctly applied this test in noting that "the Georgi word mark combined with the crest and the 'O,' together form a single unified design that must be analyzed in its entirety" (34a). This well-settled "anti-dissection" principle for confusion analysis is fundamental to trademark law in all of the Courts of Appeals, and has been adopted by the Supreme Court. "Conflicting composite marks are to be compared by looking at them as a whole, rather than breaking the marks up into their component marks for comparison." 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 23:41 at 23-129 (4th ed. 2005) (citing, *inter alia*, *Estate of P.D. Beckwith, Inc. v. Comm'r of Patents*, 252 U.S. 538, 545-46 (1920); *Coca-Cola Co. v. Snow Crest Beverages, Inc.*, 162 F.2d 280 (1st Cir. 1947); *Fisons*, 30 F.3d at 477-78; *Sun-Fun Prods., Inc. v. Suntan Research & Dev. Inc.*, 656 F.2d 186, 189 (5th Cir. 1981)). Accordingly, the District Court applied the correct legal test for determining the similarity of the marks, and the District Court's finding on similarity was appropriately examined for clear error

rather than *de novo*, as the District Court applied a universally accepted legal principle by comparing the marks in their entireties, rather than dissecting them, as Star urged the District Court and the Court of Appeals to do.

Star's second assertion is that the court erred in failing to make a *de novo* finding on actual confusion. Star fails to identify any way in which either the District Court or the Court of Appeals applied the wrong legal standard to its actual confusion claim other than the fact that neither the District Court nor the Court of Appeals credited Star's purported evidence of actual confusion, which was based on two anecdotal hearsay instances presented in testimony from witnesses directly or indirectly affiliated with Star. The District Court did not ignore Star's claim of actual confusion nor the evidence Star presented in support of this claim. It simply found Star's evidence to be less than credible. As the District Court wrote:

> [P]laintiff's anecdotal evidence of confusion was unsupported, i.e., plaintiff was unable to identify a single individual or produce a single witness to substantiate the testimony of third-party witnesses. Given the anonymity of these allegedly confused individuals, such evidence is of little probative value.

(37a-38a). The Court of Appeals agreed with this finding, and more fully explained the nature of the evidence, and how the defendants rebutted the purported evidence of actual confusion:

> Star's evidence of actual confusion consisted entirely of testimony by several interested

> witnesses recounting a handful of anecdotes, including a number of hearsay statements by unidentified and unidentifiable declarants. Appellees, on the other hand, submitted consumer surveys tending to rebut charges of actual consumer confusion.

(20a).

Star's apparent view is that any anecdotal evidence of actual confusion, no matter how incredible or unsupported that anecdotal evidence may be, must be fully credited and automatically generate a finding that actual confusion existed, no matter what evidence is presented to oppose those anecdotes. This is simply nonsensical.

CONCLUSION

Contrary to Star's claims, there is no split among the circuits as to whether "carelessness" in a trademark search can be used to support a finding that an alleged infringer acted in bad faith. While the Third Circuit briefly considered adopting such a standard, it subsequently and unambiguously rejected that standard in later decisions. Nor did the Second Circuit adopt such a standard in *Hilfiger*, which is a case about when damages may properly be awarded for trademark infringement, not about liability for trademark infringement. Furthermore, even if Star's proposed "carelessness" standard were to be adopted, Bacardi did not act carelessly in its clearance of the BACARDI O and BACARDI SILVER O^3 marks.

Nor did the Court of Appeals weigh the confusion factors inappropriately. The District Court's findings on similarity of the marks and actual confusion were both based on the appropriate legal standard and were clear. The marks were compared for similarity in their entireties, as required by well-settled black letter law, including precedent of this court. Star's claim of actual confusion was heard, and found wanting, especially in light of the survey evidence presented by Bacardi and AB. The Court of Appeals had no reason to revisit these factual findings in the absence of clear error.

For the reasons stated above, the petition for a writ of certiorari filed by petitioner Star should be denied.

Respectfully submitted,

WILLIAM R. GOLDEN, JR.
Counsel of Record
MICHELLE M. GRAHAM
MATTHEW D. MARCOTTE
KELLEY DRYE & WARREN LLP
101 Park Avenue
New York, NY 10178
(212) 808-7800

Counsel for Respondents

Supreme Court, U.S.
FILED
MAR 8 - 2006
OFFICE OF THE CLERK

(3)

No. 05-775

IN THE

Supreme Court of the United States

STAR INDUSTRIES, INC.,

Petitioner,

v.

BACARDI & COMPANY LIMITED and BACARDI U.S.A., INC. and ANHEUSER-BUSCH, INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

REPLY BRIEF

LOUIS S. EDERER
Counsel of Record
JOHN MALTBIE
TORYS LLP
Attorneys for Petitioner
237 Park Avenue
New York, New York 10017
(212) 880-6000

199995

COUNSEL PRESS
(800) 274-3321 • (800) 359-6859

STATEMENT PURSUANT TO RULE 29.6

Petitioner's corporate disclosure statement was set forth at page *iii* of its Petition for a Writ of Certiorari, and there are no amendments to that statement.

TABLE OF CONTENTS

Page

STATEMENT PURSUANT TO RULE 29.6 i

TABLE OF CONTENTS ii

TABLE OF CITED AUTHORITIES iii

PRELIMINARY STATEMENT 1

REASONS FOR GRANTING THE PETITION ... 3

I. STAR NEVER ADVOCATED A "CARELESSNESS" STANDARD 3

II. MOST IMPORTANTLY, THERE IS STILL A FUNDAMENTAL SPLIT IN THE CIRCUITS ON THE STANDARD FOR SHOWING BAD FAITH IN A REVERSE CONFUSION CONTEXT THAT NEEDS TO BE RECTIFIED 5

III. NOTWITHSTANDING RESPONDENTS' ARGUMENT, THERE REMAINS A SPLIT IN THE SECOND CIRCUIT ON HOW TO ASSESS BAD FAITH IN A TRADEMARK INFRINGEMENT CASE 8

CONCLUSION 10

TABLE OF CITED AUTHORITIES

Cases: *Page*

A & H Sportswear, Inc. v. Victoria Secret Stores, Inc.,
237 F.3d 198 (3d Cir. 2000) 4, 5

Cache, Inc. v. M.Z. Berger & Co.,
No. 99 Civ. 12320, 2001 WL 38283
(S.D.N.Y. Jan. 16, 2001) 9

Dream Team Collectibles, Inc. v. NBA Properties, Inc.,
958 F. Supp. 1401 (E.D. Mo. 1997) 6

First Jewellery Co. of Canada, Inc. v. Internet Shopping Network LLC,
No. 99 Civ. 11239, 2001 WL 122171
(S.D.N.Y. Feb. 1, 2000) 9

Fisons Horticulture, Inc. v. Vigoro Industries, Inc.,
30 F.3d 466 (3d Cir. 1994) 4, 6

Freedom Card, Inc. v. JP Morgan Chase & Co.,
432 F.3d 463 (3d Cir. 2005) ..... *passim*

International Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc.,
80 F.3d 749 (2d Cir. 1996) 8, 9

Mars Musical Adventures, Inc. v. Mars, Inc.,
159 F. Supp. 2d 1146 (D. Minn. 2001) 6

Cited Authorities

Page

Rainforest Cafe, Inc. v. Amazon, Inc.,
86 F. Supp. 2d 886 (D. Minn. 1999) 6

Sands, Taylor & Wood Co. v. The Quaker Oats Co.,
978 F.2d 947 (7th Cir. 1992), *cert. denied*, 507
U.S. 1042, 113 S. Ct. 1879, 123 L. Ed. 2d 497
(1995) 7

Therma-Scan Inc. v. Thermoscan, Inc.,
295 F.3d 623 (6th Cir. 2002) 7

Petitioner Star Industries, Inc. ("Star") submits this reply brief in further support of its Petition for a Writ of Certiorari (the "Petition") to review the judgment of the United States Court of Appeals for the Second Circuit (the "Judgment"), entered in this case on June 22, 2005. The Judgment affirmed in part and reversed in part the judgment of the United States District Court for the Southern District of New York (the "District Court") dismissing Star's claims for trademark infringement, and denying Star's request for injunctive relief, an accounting of profits and an award of reasonable attorney's fees. This reply brief addresses issues raised by Respondents Bacardi & Co. Ltd., Bacardi U.S.A., Inc. and Anheuser-Busch, Inc. (the "Respondents") in their Brief in Opposition to the Petition.

PRELIMINARY STATEMENT

Star's Petition and Respondents' Brief in Opposition are like two ships passing in the night. Respondents repeatedly contend that Star is advocating that the current evidentiary showing required to establish bad faith in a likelihood of confusion analysis be profoundly modified so that instead of deliberate intent, a plaintiff need only demonstrate that a defendant was "careless" in adopting its trademark. In other words, Respondents are attempting to suggest that Star is advocating a radical shift in the threshold for establishing bad faith, when Star is doing nothing of the sort. In furtherance of this tactic, Respondents use the word "carelessness" (in quotes) *twenty-six times* in their Brief in Opposition. This is nothing but a red herring intended to deflect attention from the fundamental split among the Circuits as to what a small senior trademark holder must show in order to establish bad faith on the part of a larger junior user in a reverse confusion trademark case.

In fact, what Star advocated to the District Court and before the Second Circuit Court of Appeals was a bad faith likelihood of confusion standard that requires something less than deliberate intent, but well in excess of "carelessness". Specifically, Star advocated, and other Circuits have adopted, a "reckless" or "willful disregard" standard for finding bad faith as part of the confusion analysis, particularly in reverse confusion cases involving a trademark search conducted, and then ignored, by the junior user. While "carelessness" on the one hand suggests the failure to take care, that is, to act at all, "reckless" or "willful disregard" suggests the failure to act in the face of clear warning signs. These are very different standards, and this Court's consideration of the Petition should not be clouded by Respondents' mischaracterization of Star's position.

The bottom line, which Respondents utterly fail to address in their Brief in Opposition, is that there remains a sharp split in the Circuit Courts as to whether a showing of bad faith in a confusion analysis requires a plaintiff to prove, in a reverse confusion case, deliberate intent on the part of the defendant junior user. The Second Circuit, in the Judgment, answered that question in the affirmative, while the Third Circuit (as the Second Circuit acknowledged in the Judgment), and other Circuits following it, have stopped well short of requiring deliberate intent, and yet another group of Circuit Courts have removed the bad faith factor from the confusion analysis entirely in cases of reverse confusion. Thus, there remains a fundamental split in the Circuits on this important issue, which Respondents cannot and do not deny, and which needs to be rectified by this Court.

REASONS FOR GRANTING THE PETITION

I. Star Has Never Advocated A "Carelessness" Standard

In an effort to draw attention away from the issue at the heart of this Petition — whether there is a fundamental split in the Circuits that needs to be rectified by this Court — Respondents repeatedly attempt to cast Star as an advocate of a radical shift in the standard for determining the bad faith factor in a trademark confusion analysis. Although Star never once uses the word "carelessness" once in the Petition, Respondents inundate their Brief in Opposition with the use of the word "carelessness" (*see, e.g.*, Br. in Opp. at 6), and insinuate that if this Court does so much as even consider Star's position, it will be departing from a unified approach adopted by the Circuit Courts on this issue. This is Respondents' attempt at drawing attention away from the real issue addressed in the Petition, which is whether this Court needs to, once and for all, settle a fundamental split in the Circuits so that litigants in trademark infringement cases can know whether, in attempting to prove the important confusion factor of bad faith, especially in a reverse confusion case, they need to show deliberate intent to deceive (as required by the Second Circuit), something less than that (as required by the Third, Eighth and Ninth Circuits), or nothing at all (as required by the Sixth and Seventh Circuits).

To be clear, Star's Petition does not, nor has Star ever in this case, advocated any sort of "carelessness" standard. In fact, Star advocates a "reckless" or "willful disregard" standard, particularly in the context of a defendant's consideration of trademark search results. As Star sets out in the Petition, the question it presents on this appeal is:

> Should the Supreme Court reverse the Court of Appeals' finding that in order to prove bad faith as part of a confusion analysis in a trademark infringement case in the Second Circuit, a trade holder must prove deliberate intent to copy a trademark, where there was clear evidence at the trial in the instant action that Respondents performed an inadequate trademark search and acted in *reckless or willful disregard* of Petitioner's trademark rights, and where there is a split in the Circuits on this issue, with the Third and other Circuits holding that a small senior trademark user need only prove that a large junior user acted in *willful or reckless disregard* of the senior user's trademark rights in order to support a finding of bad faith? (emphasis added)

Where then did Respondents get the idea to focus on the red herring issue of a "carelessness" standard? They got the idea from a recent case that came down in the Third Circuit Court of Appeals, *Freedom Card, Inc. v. JP Morgan Chase & Co.*, 432 F.3d 463 (3d Cir. 2005), which takes a step back from the main Third Circuit case evincing a split in the Circuits, referred to by Star in the Petition (and by the Second Circuit Court of Appeals in the Judgment), *Fisons Horticulture, Inc. v. Vigoro Industries, Inc.*, 30 F.3d 466 (3d Cir. 1994). Clarifying *Fisons*, the Third Circuit in *Freedom Card* held, as it also previously held in *A & H Sportswear, Inc. v. Victoria Secret Stores, Inc.*, 237 F.3d 198 (3d Cir. 2000), that *Fisons* does not stand for the proposition that the Third Circuit accepts proof of "carelessness" as a basis for establishing bad faith in a reverse confusion case. The Third Circuit does not, however, in *Freedom Card*, overturn the specific holding of *Fisons*, which is that in a reverse

confusion case, bad faith can be found not where evidence establishes that the junior user was "careless", but where the junior user is shown to have had a reason to know (from the results of a trademark search) of the senior user's trademark, and nevertheless failed to conduct any further investigation, instead proceeding without regard to the senior user's rights.

Despite Respondents' contentions, this remains the law in the Third Circuit, and is precisely the standard advocated by Star to the Second Circuit, and which the Second Circuit rejected. Indeed, the Third Circuit stated in *A & H Sportswear*, the precursor to *Freedom Card*, that "a defendant's intent may be discovered through such inquiries as whether the defendant was aware of the senior user's mark when it adopted its own mark, and whether the defendant considered that its adoption of the mark might result in confusion." *A & H Sportswear*, 237 F.3d at 232. Once again, this "willful" or "reckless disregard" standard, which stops significantly short of a deliberate intent threshold (but does not come close to a "carelessness" standard), was not rejected in *Freedom Card*, and still lives in the Third Circuit.

II. Most Importantly, There Is Still A Fundamental Split In The Circuits On The Standard For Showing Bad Faith In A Reverse Confusion Context That Needs To Be Rectified

Try as it might by arguing that Star is advocating a radical new "carelessness" standard, and that there is no longer a split between the Second and Third Circuits on the requisite evidentiary threshold for showing bad faith in a reverse confusion infringement analysis, Respondents utterly fail to address the single most important point raised by this Petition — that regardless of the state of the law in the Third Circuit,

there still remains a fundamental split in the Circuits that needs to be rectified by this Court. As noted in the Petition, there are at least three (and now, perhaps four) different approaches taken by the Circuits in assessing the critical confusion factor of bad faith in reverse confusion trademark cases. Respondents scrupulously avoid addressing these various approaches in their Brief in Opposition, preferring instead to hammer away at Star's purported advocacy of the mysterious "carelessness" standard.

Thus, as indicated above, and in the Petition, while the Second Circuit adopts a deliberate intent to deceive standard in the Judgment, the Third Circuit still maintains a standard that falls significantly short of deliberate intent. Further, courts in the Eighth and Ninth Circuits, following the reasoning of the Third Circuit's decision in *Fisons* (and those Circuits having not spoken on this issue since the Third Circuit's decision in *Freedom Card*), continue to follow a reckless or knowing disregard standard, that is, the same standard advanced by Star. *See Mars Musical Adventures, Inc. v. Mars, Inc.*, 159 F. Supp. 2d 1146, 1152 (D. Minn. 2001) (the Court held that "the 'intent' inquiry is whether . . . the alleged infringer was careless in not conducting proper research, to avoid infringement, prior to development of its trademark"); *Rainforest Cafe, Inc. v. Amazon, Inc.*, 86 F. Supp. 2d 886, 899 (D. Minn. 1999) (the Court held that "In a reverse confusion case . . . the junior user, by definition, does not seek to capitalize on the good will of the senior user. Consequently, the above-set forth prong of the traditional forward confusion analysis addressing 'passing off' is rendered moot in a reverse confusion case"); *Dream Team Collectibles, Inc. v. NBA Properties, Inc.*, 958 F. Supp. 1401, 1415 (E.D. Mo. 1997) (applying the *Fisons* test and noting that "[b]y definition, in a reverse confusion case, 'the

junior user does not seek to trade on the good will and name of the senior user; instead it overwhelms it'"). Thus, regardless of what the standard may now be in the Third Circuit, the willful or reckless disregard standard still lives in the Eighth and Ninth Circuits, notwithstanding Respondents' suggestion that *Freedom Card* somehow changed that (Br. in Opp. at 8, 9).

Moreover, totally absent from Respondents' Brief in Opposition is any discussion of the approach adopted by the Sixth and Seventh Circuits on this issue (not surprisingly, because that approach is unaffected by *Freedom Card* or anything the Third Circuit has said on the issue). Those Circuits, having recognized that a small senior user will never be able to prove deliberate intent to copy in a reverse confusion case, have eliminated the bad faith factor from the confusion analysis entirely. *See Sands, Taylor & Wood Co. v. The Quaker Oats Co.*, 978 F.2d 947, 960 (7th Cir. 1992), *cert. denied*, 507 U.S. 1042, 113 S. Ct. 1879, 123 L. Ed. 2d 497 (1995) (finding that the "intent" element is essentially irrelevant in a reverse confusion case because "[i]n a reverse confusion case . . . the defendant by definition *is not* palming off or otherwise attempting to create confusion as to the source of the product") (emphasis in original); *Therma-Scan Inc. v. Thermoscan, Inc.*, 295 F.3d 623, 639 (6th Cir. 2002) (holding that "[t]he district court erred, however, in finding that the absence of any evidence of intentional copying 'weighs in favor of finding little likelihood of confusion between the marks.' This factor, rather than tilting the balance in either direction, does not carry significant weight if no evidence of intentional infringement exists").